

AMENDED IN ASSEMBLY APRIL 25, 2001

CALIFORNIA LEGISLATURE—2001–02 REGULAR SESSION

**ASSEMBLY BILL**

**No. 521**

**Introduced by Assembly Member Koretz**

February 21, 2001

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An act to amend Section 1747.02 of, ~~and to add Section 1747.07 to,~~ the Civil Code, and to add Chapter 1.3 (commencing with Section 99030) to Part 65 of the Education Code, relating to credit cards.

LEGISLATIVE COUNSEL'S DIGEST

AB 521, as amended, Koretz. Credit cards: student credit cards: credit card marketing practices.

(1) Existing law, known as the Song-Beverly Credit Card Act of 1971, prohibits the issuance of a credit card, as defined, except in response to an oral or written request or application, or as a renewal of, or in substitution for, an accepted credit card.

This bill would define a student credit card as a credit card *that is* provided to a student at a public or private college or university, and *that is* provided to that student solely based on his or her enrollment in a public or private university, or is provided to a student who would not otherwise qualify for that credit card on the basis of his or her income. The bill would provide that a student credit card does not include a credit card issued to a student who has a cocardholder or cosigner who would otherwise qualify for a credit card other than a student credit card.

~~The bill would require that a student credit card be issued with a credit limit of \$500. The bill would authorize the credit limit on a student credit card to be raised to \$1,000 if the cardholder has demonstrated a~~

~~good payment record for 12 months. The bill would prohibit the credit limit on a student credit card from exceeding \$1,000 until the cardholder can demonstrate income that would otherwise qualify him or her for a credit card that is not a student credit card.~~

(2) Existing law establishes the various segments of the higher education system in the state. These segments include the University of California, which is administered by the Regents of the University of California, the California State University, which is administered by the Trustees of the California State University, the California Community Colleges, which is administered by the Board of Governors of the California Community Colleges, and various private and independent colleges and universities.

This bill would request the regents and the governing body of each accredited private or independent college or university in the state, and require the trustees and the board of governors, to adopt policies to regulate the marketing practices used on campuses by credit card companies.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

*The people of the State of California do enact as follows:*

1 SECTION 1. Section 1747.02 of the Civil Code is amended  
2 to read:

3 1747.02. As used in this title:

4 (a) “Credit card” means any card, plate, coupon book, or other  
5 single credit device existing for the purpose of being used from  
6 time to time upon presentation to obtain money, property, labor, or  
7 services on credit. “Credit card” does not mean any of the  
8 following:

9 (1) Any single credit device used to obtain telephone property,  
10 labor or services in any transaction under public utility tariffs.

11 (2) Any device that may be used to obtain credit pursuant to an  
12 electronic fund transfer but only if the credit is obtained under an  
13 agreement between a consumer and a financial institution to  
14 extend credit when the consumer’s asset account is overdrawn or  
15 to maintain a specified minimum balance in the consumer’s asset  
16 account.

17 (3) Any key or card key used at an automated dispensing outlet  
18 to obtain or purchase petroleum products, as defined in

subdivision (c) of Section 13401 of the Business and Professions Code, which will be used primarily for business rather than personal or family purposes.

(b) “Accepted credit card” means any credit card which the cardholder has requested or applied for and received or has signed, or has used, or has authorized another person to use, for the purpose of obtaining money, property, labor, or services on credit. Any credit card issued in renewal of, or in substitution for, an accepted credit card becomes an accepted credit card when received by the cardholder, whether the credit card is issued by the same or a successor card issuer.

(c) “Card issuer” means any person who issues a credit card or the agent of that person for that purpose with respect to the credit card.

(d) “Cardholder” means a natural person to whom a credit card is issued for consumer credit purposes, or a natural person who has agreed with the card issuer to pay consumer credit obligations arising from the issuance of a credit card to another natural person. For purposes of Sections 1747.05, 1747.10, and 1747.20, the term includes any person to whom a credit card is issued for any purpose, including business, commercial, or agricultural use, or a person who has agreed with the card issuer to pay obligations arising from the issuance of ~~such a~~ *that* credit card to another person.

(e) “Retailer” means every person other than a card issuer who furnishes money, goods, services, or anything else of value upon presentation of a credit card by a cardholder. “Retailer” shall not mean the state, a county, city, city and county, or any other public agency.

(f) “Unauthorized use” means the use of a credit card by a person, other than the cardholder, (1) who does not have actual, implied, or apparent authority for that use and (2) from which the cardholder receives no benefit. “Unauthorized use” does not include the use of a credit card by a person who has been given authority by the cardholder to use the credit card. Any attempted termination by the cardholder of the person’s authority is ineffective as against the card issuer until ~~such time as~~ the cardholder complies with ~~such procedures as may be the~~ *procedures* required by the card issuer to terminate that authority. Notwithstanding the above, following the card issuer’s receipt of

1 oral or written notice from a cardholder indicating that it wishes  
2 to terminate the authority of a previously authorized user of a  
3 credit card, the card issuer shall follow its usual procedures for  
4 precluding any further use of a credit card by an unauthorized  
5 person.

6 (g) An “inquiry” is a writing that is posted by mail to the  
7 address of the card issuer to which payments are normally  
8 tendered, unless another address is specifically indicated on the  
9 statement for that purpose, then to that other address, and that is  
10 received by the card issuer no later than 60 days after the card  
11 issuer transmitted the first periodic statement that reflects the  
12 alleged billing error, and that does all of the following:

13 (1) Sets forth sufficient information to enable the card issuer to  
14 identify the cardholder and the account.

15 (2) Sufficiently identifies the billing error.

16 (3) Sets forth information providing the basis for the  
17 cardholder’s belief that the billing error exists.

18 (h) A “response” is a writing which is responsive to an inquiry  
19 and mailed to the cardholder’s address last known to the card  
20 issuer.

21 (i) A “timely response” is a response which is mailed within  
22 two complete billing cycles, but in no event later than 90 days,  
23 after the card issuer receives an inquiry.

24 (j) A “billing error” means an error by omission or  
25 commission in (1) posting any debit or credit, or (2) in  
26 computation or similar error of an accounting nature contained in  
27 a statement given to the cardholder by the card issuer. A “billing  
28 error” does not mean any dispute with respect to value, quality or  
29 quantity of goods, services or other benefit obtained through use  
30 of a credit card.

31 (k) “Adequate notice” means a printed notice to a cardholder  
32 ~~which~~ *that* sets forth the pertinent facts clearly and conspicuously  
33 so that a person against whom it is to operate could reasonably be  
34 expected to have noticed it and understood its meaning.

35 (l) “Secured credit card” means any credit card issued under  
36 an agreement or other instrument ~~which~~ *that* pledges,  
37 hypothecates, or places a lien on real property or money or other  
38 personal property to secure the cardholder’s obligations to the card  
39 issuer.

(m) “Student credit card” means any credit card ~~meeting the requirements of Section 1747.07~~ that is provided to a student at a public or private college or university and is provided to that student solely based on his or her enrollment in a public or private university, or is provided to a student who would not otherwise qualify for that credit card on the basis of his or her income. A “student credit card” does not include a credit card issued to a student who has a cocardholder or cosigner who would otherwise qualify for a credit card other than a student credit card.

~~SEC. 2. Section 1747.07 is added to the Civil Code, to read:~~  
~~1747.07. A student credit card shall be issued with a credit limit of five hundred dollars (\$500). After one year, the credit limit on a student credit card may be raised to one thousand dollars (\$1,000) if the cardholder has demonstrated a good payment record for 12 months. The credit limit on a student credit card shall not exceed one thousand dollars (\$1,000) until the cardholder can demonstrate income that would otherwise qualify him or her for a credit card that is not a student credit card.~~

~~SEC. 3.~~

SEC. 2. Chapter 1.3 (commencing with Section 99030) is added to Part 65 of the Education Code, to read:

#### CHAPTER 1.3. CREDIT CARD MARKETING PRACTICES

99030. The Regents of the University of California and the governing body of each accredited private or independent college or university in the state are requested to, and the Trustees of the California State University and the Board of Governors of the California Community Colleges shall, adopt policies to regulate the marketing practices used on campuses by credit card companies. In adopting the policies, it is the intent of the Legislature that those entities consider including all of the following requirements:

(a) That sites at which credit cards are marketed be registered with the campus administration and that consideration be given to limiting the number of sites allowed on a campus.

(b) That marketers of credit cards be prohibited from offering gifts to students for filling out credit card applications.

(c) That credit card and debt education and counseling sessions become a regular part of campus orientation of new students. For

- 1 purposes of this section, college and universities shall utilize
- 2 existing debt education materials prepared by nonprofit entities
- 3 and thus not incur the expense of preparing new materials.

